



# ENERGY ASSURANCE DAILY

Thursday Evening, May 12, 2016

## Major Developments

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### Update: Oil Sands Companies Continue Efforts to Resume Production in Alberta May 12

Efforts by Canadian oil sands companies to restart production have been met with uneven results in the wake of a raging wildfire as several companies have told customers they may not be able to fulfill supply contracts as a result of the incident. The wildfire that blazed through oil sands hub Fort McMurray, forcing the evacuation of about 90,000 people last week, has moved into sparsely populated woodlands further east, but has grown to 241,000 hectares (596,000 acres), up from 229,000 hectares with hot, dry weather expected to prevail beginning Saturday. Oil sands companies around Fort McMurray were starting to fly in employees to production sites on Thursday, though the majority of about 1.07 million b/d of shut-in production remained offline. The region normally produces roughly 2.2 million b/d and has more than 20 oil production operations clustered within a 60-mile radius of the city, according to government data. The following companies have reported impacts as of Thursday. The red text under each company below indicates an update to the wildfire impacts reported in Wednesday's EAD publication.

- **Suncor Energy** officials said some oil sands facilities will restart in 24 to 48 hours, but others will take at least a week. A local union president said employees will start flying back to oil sands sites on Thursday. Suncor closed its 350,000 b/d main mining site, and its MacKay River and Firebag thermal oil sands operations on May 4. It cited the precautionary shut-in of takeaway pipelines and limited availability of diluent. Prior to the fire, Suncor said it was operating at reduced rates of approximately 300,000 b/d because of a maintenance turnaround.
- **Synchrude** said its 315,000 b/d Aurora bitumen mine was shut and other operations were functioning at minimal levels. A power generator was restarted at its Aurora bitumen mine and it had transitioned from emergency response to planning operations restart, however; there was no projected timeline for restarting production. Synchrude is an oil sands project owned by a consortium of companies, including majority owner Suncor. Synchrude will cut forecast May crude production volumes by some 35 percent, three trading sources familiar with the matter said on Monday.
- **Royal Dutch Shell Plc's** president said oil sands operations were nowhere near full capacity and that it would take some time to increase production from its sites. The company has been able to keep its 100,000 b/d Scotford refinery running through the wildfire outage by using alternative feedstocks. The company on Monday restarted production at a reduced rate at its 255,000 b/d Albion oil sands mining operation, which include the Muskeg River and Jackpine oil sands mines. The company said it will fly staff in and out to help resume operations over the coming days and weeks.
- **Nexen Energy** on May 9 reported the yard of its Long Lake oil sand facility suffered minor damage on Sunday from the wildfire. Long Lake can produce around 50,000 b/d of synthetic crude but was operating at reduced rates since late January due to an explosion at the plant.
- **ConocoPhillips** said on May 5 it had shut its 30,000 b/d Surmont operations south of Fort McMurray, and evacuated the site.
- **Husky Energy** on Sunday shut production at its 30,000 b/d Sunrise Energy Project. Husky had previously reduced operations to 10,000 b/d.
- **Connacher Oil and Gas Ltd** said on May 5 it was restoring production at its Great Divide operation, which is 50 miles south of the city, back up to 8,000 b/d, after cutting it to 4,000 b/d on Wednesday. The operation produced 14,000 b/d in the fourth quarter.
- **Canadian Natural Resources Ltd** cut output by an unspecified amount at its Horizon project.
- **Statoil ASA** on Monday said it was suspending all production at its 20,000 b/d Leismer facility in northern Alberta. Statoil said production would remain suspended until midstream terminals needed to transport crude oil via pipeline reopen.
- **Athabasca Oil Corp** said on May 5 it shut its Hangingstone project and evacuated all personnel. At the time, the company said it was in the process of shutting down the well sites and the central facility. The project was expected to produce 12,000 b/d by the fourth quarter 2016.

- **Imperial Oil Ltd** on Monday completed a controlled shutdown of its Kearl oil sands mining project, adding it would remain shut until the company had fully grasped the logistics of getting people and materials to and from the site. Non-essential personnel were demobilized from the Kearl site. Its physical plant and other assets were unaffected by fires.
- **Cenovus** said it would start bringing non-essential staff back to work at its Christina Lake oil sands operation on Thursday. On May 6 that essential staff were maintaining full production at its Christina Lake oil sands site. The company had previously sent home non-essential staff.
- **MEG Energy and Japan Canada Oil Sands Ltd.** said their operations near Fort McMurray were not affected.
- **Enbridge Inc.** on Thursday said it was steadily resuming service on its pipeline network after an estimated 900,000 b/d of volume on its system was affected due to the wildfire. The 550,000 b/d Line 18, which travels south from Cheecham to Edmonton, returned to service on Wednesday evening. The company's CEO said operations had resumed at Cheecham and the Woodland pipeline was ready to restart. The company was waiting to get access to conduct a fly-over inspection as fire crews were still working in the area. The 62.14 mile portion of the Athabasca line from Cheecham to the Kirby Lake terminal was expected to resume operations over the weekend.
- **Keyera Corp** said its South Cheecham rail and truck terminal, 47 miles south of Fort McMurray, was evacuated and shut on May 5. South Cheecham is a joint venture between Keyera and Enbridge.
- **Inter Pipeline** said its 346,000 b/d Corridor pipeline system, which serves Shell's oil sands facilities, was ready to be reopened once Shell resumes operations. Inter Pipelines' 540,000 b/d Polaris diluent pipeline was reopened after a one-day shutdown.
- **Pembina's** Algar to Cheecham Lateral remains fully operational but was not delivering due to the shutdown of downstream facilities. All other Pembina facilities in the Fort McMurray area remain fully operational.
- **TransCanada Corp** said it did not expect the wildfire to affect deliveries of natural gas. The nearest pipeline is about 12 miles west of the current wildfire.

<http://www.reuters.com/article/us-canada-wildfire-fortmac-idUSKCN0Y21QH>

Reuters, 9:14 May 12, 2016

Reuters, 18:10 May 11, 2016

Reuters, 14:24 May 12, 2016

## **Nexen Issues Force Majeure for Production of Canadian Crude in May – Sources**

CNOOC's Nexen issued a force majeure for 100 percent of its May production for Long Lake Heavy crude, two sources familiar with the matter said on Thursday. The company was said to also be passing on a cut of 68 percent of sales of Western Canadian Select and Access Western Blend crude to customers, the sources said. Nexen was expected to issue a formal force majeure letter shortly, they added.

Reuters, 9:33 May 12, 2016

## **Update: Alberta Oil Sands Cogeneration Capacity Holds Steady at 485 MW May 12 – AESO**

The amount of power produced by cogeneration plants around Fort McMurray held steady early Thursday near the levels seen Wednesday night, according to the Alberta Electric System Operator (AESO). Total cogeneration capacity around the Fort McMurray was 485 MW Thursday versus 480 MW late Wednesday, AESO said. That is 22 percent of the total 2,215 MW of cogeneration capacity in the Fort McMurray area. Before the wildfires, those cogeneration units produced about 1,300 MW of power, according to local media reports.

Reuters, 8:17 May 12, 2016

## **Electricity**

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### **Strong Storms Knock Out Power to Over 35,000 Ameren Customers in Missouri May 11–12**

Strong storms producing heavy rain and hail knocked out power to over 35,000 Ameren customers in Missouri Wednesday night. There were numerous reports of downed trees and powerlines contributing to the outages. Ameren said it had 800 workers engaged in storm restoration. As of 3:30 p.m. EDT Thursday, 6,579 customers remained without power.

<http://apps.ameren.com/outage/outagemap.aspx?state=MO>

<https://twitter.com/AmerenMissouri>

<http://www.kmov.com/story/31950406/storms-leave-behind-damage-power-outages-in-st-louis-area>

## **Update: Over 3,000 Oncor Customers Remain without Power in Texas after Second Round of Strong Storms Hit May 12**

Restoration work was continuing after another round of storms moved through Oncor's service area on Thursday morning knocking out power to an additional 10,000 customers. These storms contained high winds of over 50 mph, with lightening and heavy rain. The majority of the damage that occurred due to the storms on May 10, which knocked out power to 72,051 customers, has been repaired. As of 3:30 p.m. EDT Thursday, 3,941 customers remained without power.

<http://stormcenter.oncor.com/external/default.html>

<http://www.wfaa.com/weather/thousands-without-power-after-north-texas-storms/185336085>

[http://www.wacotrib.com/news/education/residents-remain-without-power-hours-after-storm/article\\_8d0ec914-79e5-5644-9bc4-3519b21306c6.html](http://www.wacotrib.com/news/education/residents-remain-without-power-hours-after-storm/article_8d0ec914-79e5-5644-9bc4-3519b21306c6.html)

## **Update: TVA's 1,126 MW Sequoyah Nuclear Unit 2 in Tennessee Ramps Up to 65 Percent by May 12**

On the morning of May 11 the unit was operating at 20 percent, after restarting on May 9. The unit shut from 35 percent on May 6.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2016/>

## ***Petroleum***

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### **Update: ExxonMobil Reports Normal Operations, No Output Impact at Its 560,500 Baytown, Texas Refinery May 11; Unit Upset, Emissions May 12**

ExxonMobil Corp said operations had returned to normal at its Baytown, Texas refinery on Wednesday evening, about three hours after a malfunction sent workers for shelter from gases released into the atmosphere. An ExxonMobil spokesman said there were no injuries, nor any impacts to production due to the malfunction, which occurred around 5:00 p.m. EDT. Sources familiar with operations at the Baytown complex, which includes the refinery and adjoining chemical plant, said an unspecified unit that collects water was contaminated with hydrogen sulfide and ammonia from the refining process and malfunctioned. Refinery staff monitored air quality outside the plant's fence line, but detected no impact to the community. On Thursday, the company reported a unit upset at the sulfur plant resulted in elevated hydrogen sulfide emissions and operational adjustments were made to minimize emissions, according to a filing with the Texas Commission on Environment Quality.

Reuters 13:52 May 12, 2016

Reuters, 21:17 May 11, 2016

### **ExxonMobil Reports Flaring at Its 502,500 b/d Baton Rouge, Louisiana Refinery May 12**

Exxon Mobil Corp reported flaring for about one hour due to operational issues at its Baton Rouge, Louisiana refinery on May 12. The company said it was continuing to meet contractual commitments.

Reuters, 8:43 May 12, 2016

### **ExxonMobil Reports Flaring at Its 149,500 b/d Torrance, California Refinery May 11**

Exxon Mobil Corp reported flaring at its Torrance, California refinery, according to a filing with the California Emergency Management Agency. ExxonMobil said the refinery continues to operate and there was no anticipated impact to individuals or the environment.

Reuters, 23:17 May 11, 2016

### **Shell Reports Unit Restart at Its Scotford, Alberta Facility May 11 – Community Line**

Royal Dutch Shell Plc reported a unit restart at its Scotford, Alberta facility on May 11 and warned of intermittent flaring for next 48 hours, according to a community information line. The Scotford facility houses a 100,000 b/d refinery and a 255,000 b/d oil sands upgrader.

Reuters, 00:41 May 12, 2016

## **Energy Transfer's Proposed 450,000 b/d Dakota Access Crude Oil Pipeline Secures Landowner Easements in Dakotas**

Energy Transfer Partners said it has secured all of the landowner easements it needs in the Dakotas for its proposed Dakota Access crude oil pipeline. The Dakota Access Pipeline Project is a 1,168-mile, 30-inch diameter pipeline that will connect the rapidly expanding Bakken and Three Forks production areas in North Dakota to the crude oil distribution hub in Patoka, Illinois. Regulators in all states have approved the project, but it still needs federal approval.

Reuters, 8:46 May 12, 2016

[http://www.dapipelinefacts.com/docs-dapl/11102015/DAPL\\_FactSheet32-110515.pdf](http://www.dapipelinefacts.com/docs-dapl/11102015/DAPL_FactSheet32-110515.pdf)

<http://www.argusleader.com/story/news/2016/05/11/dakota-access-gets-100-percent-compliance-sd/84256622/>

## **Natural Gas**

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### **California Enacts Legislation Requiring Additional Natural Gas Well Integrity Testing Prior to Resuming Injections at SoCalGas' 86 Bcf Aliso Canyon Storage Facility May 10**

California Governor Jerry Brown on Tuesday signed legislation requiring all 114 Southern California Gas Co. (SoCalGas) gas field wells to undergo additional integrity testing developed by the U.S. Department of Energy Natural Laboratories before the company can resume injections of natural gas into its Aliso Canyon storage facility. The testing required calls for each well to pass two complementary tests and four more structural integrity tests before injections or normal operations can resume at the storage facility. The legislation also requires the utility and state regulators to adhere to strict safety standards before the facility can be reopened. The facility began leaking gas on October 23, 2015 and was capped on February 18, 2016.

<http://www.dailynews.com/government-and-politics/20160510/legislationcalls-for-114-aliso-canyon-natural-gas-wells-to-be-tested>

[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201520160SB380](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB380)

## **Other News**

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Nothing to report.

## **International News**

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### **Update: Libya's West NOC Cancels Two Oil Cargoes in Dispute with Rival East NOC**

Libya's National Oil Corporation (NOC), based in the western city of Tripoli, said on Thursday it had cancelled two May oil export cargoes from the eastern port of Marsa al-Hariga, where loadings have been blocked by the rival East NOC. A spokesman for the NOC in Tripoli said the standoff was costing Libya \$10 million a day, and that a total revenue of \$120 million had been lost so far. The East NOC, which is located in Benghazi and loyal to Libya's eastern government, tried last month to export a first cargo of oil but the tanker was blacklisted by the United Nations and forced to return, deepening the split between the rival NOCs. Eastern officials have since prevented crude being loaded onto a tanker sent to the Hariga port by the Tripoli NOC, which is working with a new U.N.-backed unity government up and running since March to try to revive oil output. Because of the dispute, Libya's oil production has dropped to just over 200,000 b/d, a fraction of the 1.6 million b/d it produced before the uprising in 2011.

Reuters, 7:28 May 12, 2016

### **Nigeria's Qua Crude Output Reduced by ExxonMobil Pipeline Problem May 12 – Traders**

Production of Nigeria's benchmark Qua Iboe crude oil grade has been reduced due to an unspecified problem on an ExxonMobil pipeline, two traders said on Thursday. Qua Iboe is Nigeria's most marketable grade of crude oil and was set to account for 317,000 b/d of exports in June. It was not immediately clear by how much the pipeline problem had reduced output and ExxonMobil did not immediately respond to a request for comment.

Reuters, 11:03 May 12, 2016

## Energy Prices

U.S. Oil and Gas Prices			
May 12, 2016			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b> <b>West Texas Intermediate U.S.</b> \$/Barrel	46.59	44.28	60.67
<b>NATURAL GAS</b> <b>Henry Hub</b> \$/Million Btu	2.01	1.88	2.85

Source: Reuters

## Links

***This Week in Petroleum*** from the U.S. Energy Information Administration (EIA)

<http://www.eia.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

***Weekly Petroleum Status Report*** from EIA

[http://www.eia.gov/oil\\_gas/petroleum/data\\_publications/weekly\\_petroleum\\_status\\_report/wpsr.html](http://www.eia.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html)

Updated after 10:30 AM & 1:00 PM ET every Wednesday.

***Natural Gas Weekly Update*** from EIA

<http://www.eia.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM ET every Thursday.

### ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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